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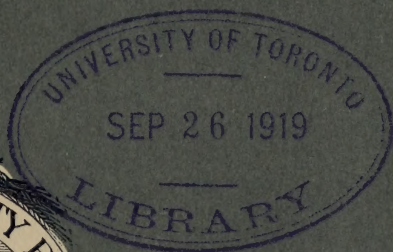
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CAUSES UNDERLYING  
THE  
SOCIAL UNREST

GEORGE E. ROBERTS

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(1887- )







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GEORGE E. ROBERTS

Vice-President

The National City Bank of New York

AN ADDRESS BEFORE

The Iowa Bankers' Convention  
Fort Dodge, Iowa.

June 24, 1919

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# Causes Underlying the Social Unrest

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## *The Return to Old Scenes.*

It was very kind of the officers of this association to invite me to be your guest upon the occasion of your meeting in my old home. Nat Goodwin had a play in which in one of the leading roles he used to say: "No matter where you go, whenever you leave New York you are camping out." That of course was the sentiment of an old New Yorker, but in a broader sense it is the sentiment of every man for the place that he regards as home. But that kind of attachment is not usually formed in the later years of life; it belongs to the home of one's youth, to the scenes one first looked upon, the place where one knew his earlier friends. A man seems to have proprietary rights there, even if he does not own a foot of land. He is a charter member of the community; he is part of it and it becomes a part of him in a sense that is never true of any other place. The experiences of those impressionable years underlie and color all of the experiences of his life. And so it is that no other state will ever have the appeal for me that Iowa does, and that wherever I have been since I left Fort Dodge has been camping out.

I am always glad to come back to the state and the town. I am pleased to see the prosperity of the town. I have read with wonderment of the great sums that have been raised in the town and county for the Liberty loans and the war charities, and let me say that every Iowan abroad has been proud of the way the old state has gone over the top on the loans. I want to congratulate the bankers, who I know had a large part in the work.

There is a tinge of sadness along with the pleasure of these homecomings. The town changes, but I can keep adjusted to that. What is hard to get used to is that I am more and more a stranger upon its streets. It is not so much that new people have come as that old faces are gone. A silent, constant change in the population is going on. The town grows and thrives, and looks forward to the future with increasing confidence. The community life never wanes; it grows stronger with the infusion of new blood, but the individuals are coming and going. The town is like the river down here in the valley in which I bathed as a boy; the stream is always flowing and boys are always bathing, but the river I knew has gone on to the sea, and the boys—well, they are boys no longer, and many of them have reached the



great sea. It was an old Greek philosopher who said that no man ever steps in the same river twice, and so no man ever comes back to the same town.

There is, I say, a tinge of sadness in these reflections, but there is also satisfaction in the thought of a community life which goes on, which is something other and different from and larger than the individual lives which compose it—which gathers up, preserves and unifies and develops the ideas and aspirations of the individual lives, for the good of all who come after. John Bright, the English statesman and friend of America, in his farewell address in Birmingham, taking leave of public life, reviewing his career as the representative of that parliament district, and speaking of the infirmities of age which had come upon him and were compelling his retirement, said: "But this great constituency is immortal!"

This idea of the community life which carries on, appeals to the best there is in us, and inspires the noblest deeds and sacrifices of which men are capable.

We simply dare not fail in our duty to those who come after us. We must do our part in our day of responsibility, as our fathers and forefathers did before us; we must pass down our heritage unimpaired and safeguarded. This is the thought that inspired our boys in France, and all the heroes who have made the supreme and final sacrifice.

There is no better time to visit Iowa than in the month of June. I live in a beautiful region on the banks of the Hudson. That is one kind of beauty, but there is another kind even more satisfying in its significance, and that is the quiet beauty of the Iowa farm scene—the rows of corn, the green meadows and herds of cattle. This is a picture of wealth, of comfort, contentment and security which is even more impressive now because of the contrast it affords to conditions in a large part of the world.

### *Development of the West.*

There is no lack of things to talk about in these days, when the whole world is in convulsions but I am moved to talk a little about the development that has taken place in Iowa in two generations, because I think there is a relationship between that development and the state of mind in which the world is today.

My father was born in central New York, and when he grew up to be a young man and looked about him to see what he would do, he made up his mind that there was no longer much of a chance for a young man in the State of New York. The land was all occupied, and the cities seemed to be as large as they ever ought to be with the support back of them. So he determined to go to a new country, and he chose the territory of Iowa. And what route do you think he took to go



to Iowa? He went by canal boat down to New York city, took a sailing vessel to New Orleans and thence up the Mississippi river. He located first in Van Buren county, but soon afterwards moved to Rock Island county, Ill., and later to Delaware county, this state, my native county. And about the time he was leaving New York a family with a daughter of 13 was leaving Maine, making the trip by wagon to Rock Island county. And so my father and mother met and were married, and it has always seemed to me that their migration, their meeting, and the founding of their home on the very bank of Mississippi river, was typical of the settlement of the West. My earliest recollections are of the stories my mother told of the wonderful life on the Mississippi river in the forties—a life that has passed entirely away.

There in Rock Island county and Davenport the first railroad crossing was made. The river interests fought the building of a bridge and the Rock Island company hired a lawyer of high reputation in Illinois, Abraham Lincoln by name, to represent it in the suit. It was tried by a jury and I have heard the story of his address to the jury. Like a good lawyer, he first said everything in favor of the river that could be said. He gratified their pride in the river. He held up a map before the jury and said: "Here is a river which rises so far north that its source never thaws, and its mouth is so far south that it never freezes, and it is all ours." But then he proceeded to point to the natural routes of travel and traffic east and west, and he said: "Everybody does not want to go up and down the river; some want to cross the river." And so he went on, carrying the jury with him, and won his case for the Rock Island bridge at Davenport.

By the middle of the fifties five railroads were building across Iowa, all stimulated by land grants. There has been criticism of the land grant policy in recent years, most of it without a clear understanding of the conditions of the time. The lands could not have been settled without the railroads, and the roads would not have been built unaided in advance of settlement. The roads opened up the country, they advertised, sent their agents through the Eastern States and to Europe to drum up settlers. They sold their lands at low prices and on long time. They didn't want the lands; they wanted traffic; they wanted settlement and production; and that was precisely what the land grant policy was intended to accomplish.

### *The Fall of Prices.*

If there was any mistake about the policy it was in offering too many of them and settling the country too fast. It resulted in an overproduction of agricultural staples. It gave the world cheap food, but it was abnormally cheap, unfairly



cheap. It put the price of farm products down to where they scarcely yielded a laborer's wage to the farmer and his entire family.

The effect of opening this great area of new lands, which required but little capital for their development, was disastrous to the older agricultural districts in this country and abroad. It took the value out of the farms in the Eastern States and where there was indebtedness upon them the owners were ruined. It gave a blow to agriculture in those states and in the older countries from which it scarcely has recovered to this day. On the other hand, this development conferred benefits in some quarters. The building of railroads in Russia, in India and Argentina, as well as in this country, not only increased the production of foodstuffs but of all the raw materials of industry, and together with improvements in ocean transportation, cheapened these products in all markets, with the result that a stimulus was given to trade and industry.

The most advantageous position the wage-earning class can occupy is that where the wage-earners have only to hold wages steady while their purchasing power constantly increases by reason of the improvements that are always being made in methods of production and distribution. In this period wages actually advanced while the cost of living fell. In 1892 the average of all the commodities in the well-known Sauerbeck price tables, London, was 68 per cent of the average for the 11 years ended with 1877, and for 1896 it was 61 per cent.

The low period for agriculture was in the seventies, following the railroad building after the civil war, but there was no lasting recovery until about twenty years ago. Then prices turned definitely upward and they have been moving upward ever since and have carried all industrial costs with them. Before the war began the average of the Sauerbeck tables was back to 85. I am convinced that the rising costs of living are the chief cause of the state of social unrest which exists over the world today. The war is the immediate cause of the chaos which exists in parts of Europe, but the rising cost of living has honeycombed the whole social structure with suspicion and discontent.

### *Rapid Settlement of this Country.*

To those of us who have seen much of the settlement of this western country, there is no mystery about the rising costs of living of the last twenty years. From the beginnings of settlement in this country our people have been exploiting the natural resources, a wealth of soil and timber and minerals that had been in preparation for thousands of years. They had little value to the first settlers, but transportation facilities opened them up to the world. In an incredibly short space of time population coming from all quarters



spread over and occupied the country. There has never been a parallel to the settlement of this country and there never will be, for there is no other country like this to be settled. When my father came to Iowa there were about 17,000,000 people in the United States, and my children, if they live the normal term, will see 200,000,000. And the population of the whole world has been increasing. At the close of the wars with Napoleon the population of Europe was about 175,000,000, and at the outbreak of the great war it was 440,000,000.

All of these people must be fed and clothed and housed, and the cost of food, clothing and shelter depends upon the land and supply of raw materials.

### *The Test of Our Institutions.*

Until a few years ago there was always an abundance of cheap land further West to which the population continually overflowed. These lands played the part of a spillway or safety valve to relieve congestion in the cities and supplied a new field for the discontented. The statesmen of Europe said long ago that the real test of American institutions would come when our cheap lands were gone. Eighty years ago Lord Macaulay, in a discussion over popular government, said, "As to America, I appeal to the Twentieth Century!"

The free lands are gone, the cheap lands are gone. There is still the possibility of largely increasing the production of foodstuffs, but it must be done from lands that require a considerable expenditure of capital, for clearing or for drainage or irrigation, and by more scientific culture.

Between the years 1899 and 1909, according to the census, while the population of this country increased 21 per cent, the area in farms increased 15 per cent, and a great part of that 15 per cent was of lands nowhere near equal in productiveness to the lands of Iowa. In competition with lands now available, the average value of all the lands in Iowa increased between 1899 and 1909 by 124 per cent, or an average of over 12 per cent per annum, and that increase has been continuing since. I believe it is safe to say that for the last twenty years the increment of land values in this state has averaged fully 12 per cent per annum. I don't need to tell you of the rise of Iowa lands, but I want to point out that it has a significance beyond the increase of wealth upon which you are congratulating yourselves.

During the same ten years the population of cities in this country increased 35 per cent, while the rural population increased 11 per cent, and that tendency has undoubtedly continued since. Our own population has been overtaking our food production, and compelling the growing cities of Europe to look to new sources of supply.

## *Rising Costs of Food and Raw Materials.*

And what is true of foodstuffs is true of raw materials. It is true of cotton and wool and hides and lumber, and when food and clothing and building materials go up, wages must go up, and when wages go up, manufacturing costs and the costs of doing all business must go up, except as by improved methods their influence is overcome. The price-tables show that manufactured goods have increased by lower percentages than the raw materials and labor that enter into them. Raw materials, foodstuffs and labor are the factors making for higher prices, and machinery, capital, improved processes and management are influences tending to hold prices down. The investment of new capital is everywhere a modifying influence, tending to hold down these rising prices, but strangely enough the discontent engendered by the rising prices is directed almost wholly at capital.

This tendency in foodstuffs and raw materials has put the whole industrial organization under strain. Wage-earners and salaried people have felt that their pay was not going as far as formerly and have wanted more. Business men have found their costs increasing and have pushed up the price of what they had to sell. Everybody has been reaching out to recoup himself, and discontent has been growing because of a common feeling that something was wrong and that somebody was to blame. The most unfavorable position the wage-earning class can occupy is that of being constantly obliged to get wages increased in order to hold its own, and it has been in that position for the last twenty years. But it doesn't follow that somebody is to blame. The explanation is in the more complete settlement of this country, in the pressure of population upon natural resources.

We are not getting as much for nothing as we were in the years when the town cows pastured on vacant lots in Fort Dodge and the vacant lands adjoining. One of the great social convulsions which I remember during the old time in Fort Dodge was caused by the passage of the ordinance forbidding cows to run at large within the corporate limits of this town. In those days I used to take some part in local politics, and I remember approaching a group of men near the polls on election day to ask them to vote for ex-Governor Carpenter for the legislature, one of the best men who ever lived in the state. One of the opposition workers butted in on me very effectually. He said: "Do you know who this man is? He is one of the men who have been trying to shut up your cows." That finished my influence in that quarter. Well, everybody's cows are shut up now and pastured on \$200 land. And, mind you, it isn't the price of land that makes milk and meat high; it is the other way around; it is the price of the products that makes land high.



People wonder why it is that with all the improvements made in industry the results in living conditions are not more apparent. They read of all the labor-saving machinery in use on the farms—and yet farm products go up! They read of the improvements in cloth-making machinery—they are wonderful; you can go into a weaving mill and see one man tending acres of looms, but if the mill did its work for nothing with raw cotton at the prices of recent years, clothes would have to cost more. And so they read of improvements upon the steam engine and the locomotive, of the applications of electric power, and of new inventions and facilities in all the industries, and they ask what becomes of the benefits. Where is the leak? What is the matter?

The advocates of socialism say that there is a lack of distribution; but the answer to that is that all new accumulations of capital, whoever owns them, are employed in improving and enlarging the facilities of production, and yield results for the common welfare. The earnings and profits of the past have provided the industrial equipment of today and without that equipment living conditions would be worse than they are. Suppose that with our present population we had to cultivate the fields of Iowa with the implements of fifty years ago, and transport the products to the Eastern markets upon the railways of fifty years ago, with the locomotives of fifty years ago and the little ten-ton cars of fifty years ago.

The census figures show that capital is a constantly increasing factor in production. In 1899 the capital invested in manufacturing in the United States amounted to \$1,770 for each person employed in the same industries, in 1904 it was \$2,117 to each person employed, in 1909 it was \$2,488, and in 1914 it was \$2,848, all of which means that we are working with more effective agencies. Even the farmer now must have an important investment in equipment, and the real hope for social progress in the future depends on large investments in equipment.

### **Results Disappointing.**

Nevertheless, the fact is that with all that has been done, with all the new capital and energy that have been poured into industry, the results do not seem to be adequate. It is as though there was a brake on the machine somewhere, as though the belts were slipping and failing to transmit the power.

Take the railroad situation as a concrete example. Since 1900 an enormous amount of capital has been poured into the railroads to improve them physically and reduce operating costs. Some of the principal lines have been almost rebuilt. The grades have been lowered, curves have been straightened, the tracks and the bridges have been strengthened, to per-

mit of heavier trains. Great gains in the efficiency of motive power have been made. The efficiency of the locomotive has been increased 100 per cent since 1900. In the year 1909 the average train-load of the Baltimore & Ohio railroad was 428 tons and eight years later, in 1917, it was 777 tons, an increase of 81 per cent, and that is typical of the gains in operating efficiency. But notwithstanding the economies accomplished by increasing the investment in the roads, there has been no reduction in the cost of transportation. In fact, transportation charges have been largely increased during the war, but I am not talking now about war charges or war expenses or government operations. The net earnings of the roads were declining before the war. The fact is that all of the great economies achieved by invention and the investment of new capital were swallowed up in higher wages, and that wage increases to a great extent, if not in toto, were swallowed up by the increase in living costs.

That same tendency has prevailed throughout industry. It is a depressing fact that for the last twenty years the greater part of all the gains achieved in industry by the genius of invention and management, and by the accumulation of capital, has been offset to the wage-earning population by the higher cost of food and raw materials.

### *The Malthusian Theory.*

Now, this is a grave situation. It looks as though mankind was losing out in its contest with nature. It revives the Malthusian theory that population naturally increases faster than the food supply. We know it to be true that as population grows more dense it becomes more difficult to provide for it, except as increasing knowledge gives larger command over the natural resources. Aside from man's ability to improve the methods of production, the tendency is against him. It is a steady pull against the current. Malthus published his famous essay on population about one hundred years ago, and at that time, before the influence of machinery and the possibilities of scientific research were fully appreciated, the outlook for the masses was thought to be very gloomy. The command of man over the resources of nature did not seem to be equal to providing even a miserable living for the population, not to speak of ameliorating their condition, and intelligent and kindly people, the leaders of society, seriously discussed starvation, plague and war, as perhaps necessary means of limiting the population.

But the development of the steam engine and the locomotive changed this situation rapidly. It opened up the Mississippi Valley and other fertile regions and gave relief to the world. But relief for how long? The rise of prices



in the last twenty years shows that the problem was only pushed back. It is a problem that never can be finally disposed of so long as population continues to increase. And there are no more Mississippi Valleys to come to the rescue. There are extensive areas of land in South America, in Africa and Asia, but they will not be occupied rapidly. There is land in Canada, and, as I have said, we have nowhere near reached the limit of production in this country, but you are as familiar with these conditions as I am.

I do not wish to play the part of an alarmist. I don't say that the world is on the brink of starvation. The great increase in food production which we have had in this country during the war shows something of our latent possibilities, but this production is stimulated by very high prices. I want to emphasize what I believe to be the chief factor in the social situation, the economic pressure and unrest occasioned by the rising cost of the common necessities of life.

### *Distress Always Causes Unrest.*

Nobody is responsible for it, but when great numbers of people are disappointed and discontented somebody is always held to be responsible. The most thoughtful students of history have held that all the great crises and upheavals of society have been due to economic causes, to direct economic pressure upon the people, rather than to logical reasoning or intellectual leadership. Twice in my own time I have seen the monetary system and standard of value nearly upset in this country, because times were hard; once by the greenback party and once by the free silver party. In both of these instances the farmers were the chief complainants, and the grievance was that prices were too low; now it is the wage-earning class and the grievance is that prices are too high.

The arguments for greenbacks and free silver were all washed away in the periods of prosperity which followed, but the same type of agitator is always on hand—just as ready to argue from high prices as low prices, and always finding the most effective appeal in the play upon class suspicion and class prejudice.

### *Agricultural Production.*

This matter of providing the common necessities of life to the population is vital to the peace of society. There is no question about that. It lies at the very basis of the whole industrial structure and of the social order itself. If there is need for efficiency and organization and leadership anywhere it is here. I believe we must think about these problems in a larger way than we have been accus-

tomed to do in the past. We have got to improve the agriculture of this country. We must do it as a measure of social welfare and social security, but I appeal to you that it is good business as well.

Some years ago the American Bankers Association, following the lead of some of the Western States, created an agricultural commission to stimulate a more active interest in agriculture among bankers, and assuming, I suppose, that because I came from Iowa I must know something about agriculture, they put me on the commission. There isn't much we can do beyond acting as a clearing house to distribute information about what the bankers in the several states are doing for agriculture, and we do that through the little monthly publication called the "Banker-Farmer." If you will get in the way of reading it I think you will find it worth while, as I do. We have got to make a study of this question, how as bankers and business men we can help to increase the output of the farms. There isn't the need, perhaps, to urge it in Iowa that there is in some of the other states, for Iowa certainly is one of the advanced states in agriculture, but it may interest you to know that, acre for acre, New York state runs you a close race in farm production. In 1918 the average production of corn per acre in Iowa was 36 bushels and in New York, 36 bushels; of oats in Iowa, 41.5 bushels, in New York, 42 bushels; of hay in Iowa, 1.31 tons, in New York, 1.24 tons; of potatoes in Iowa, 72 bushels, in New York, 92 bushels; and the average value per acre of four crops, corn, oats, hay and potatoes was in Iowa \$46.36 and in New York \$58.04; and the average selling value of farms in New York is not one-half what it is in Iowa.

### *Land Values.*

It is interesting to see how the problems of a people change from time to time. I can remember when we used to think here in Fort Dodge that 25 cents a bushel was a pretty good price for corn, and if we could have been assured that hogs would bring \$5 per hundred, live weight, for all we could raise, we would have said that all our problems had been disposed of. Well, your products have gone up and your lands have gone up, but when the farm owner moves to town to live on the rent the farm has to support two families instead of one. That doesn't happen in every case, but something like it happens in a variety of ways. If the charge is in the form of interest instead of rent the effect is the same.

The old world question of landlord and tenant is looming up, and it has been a mischief-making problem everywhere. I am an owner of Iowa lands myself, but I ques-



tion whether it is in the public interest to have these lands go higher. The rising prices for land do not in themselves add anything to the wealth of the State. They don't in themselves increase the product and the value all comes out in the product. What is the effect upon production? Do they increase tenantry, and what is the effect of tenantry upon production? I don't look to see land values lower provided the fertility is maintained, but will fertility be maintained with tenantry increasing? I think this is one of the most serious questions in these Western States, and one to which bankers should give serious attention. The whole fabric of credit and business in these States is based not merely upon the area of these lands, but the productive qualities in them. Henry Wallace used to say that the lands were being mined; is that mining still going on?

### Importations of Agricultural Products.

There is a question coming up in this connection upon which, as I remember opinion in the past, you probably will not agree with me, but I am sure you will allow me the privilege of giving my own views, and I speak for myself only. Many agricultural products, including meats, hides, wool and some of the grains, are now admitted into this country free of duty. Probably there will be a movement to restore import taxes on these things, and naturally it will be supported by the chief farming states. I am sure that from the national standpoint it will be a mistake to restore these duties and I do not believe it will be any advantage to you. In the first place I do not believe that importations will be large, or that it makes much difference in the long run whether Argentine or Canadian products are sold in this country or in London, because the markets will keep in close relation to each other. In the second place, I give it as my judgment and prediction that no political party will remain long in power in this country which deliberately increases the price of food. I don't believe the voters of the great industrial centers will support duties upon foodstuffs with farm lands in Iowa mounting from \$200 to \$250 and \$300 per acre, and I do not think it will be advantageous or prudent to have your land values lifted higher by any artificial or temporary influence which may be soon withdrawn. Better keep on a sure basis. The situation would not be so serious if land sales were usually for cash, but you are building up a great body of mortgage indebtedness, and if for any reason prices of farm products should naturally decline, this indebtedness would be a heavy burden. Speculation on narrow margins is just as dangerous in Iowa as it is in Wall street.

## *The Effects of Inflation.*

This question of land values, of course, is related to the larger question of the future level of general prices. If the present general level of prices is maintained, then these rising prices of lands are only expressing the depreciation of money. Some people think the new level of wages and prices throughout industry is permanent. I do not want to believe that it is. I am reluctant to believe it because I think it will work grave injustice to thousands of people. If the present level of prices is permanent the value of money and of all obligations to pay fixed sums of money will be depreciated approximately one-half. It means that all the savings of the people which are in the form of bank deposits, promissory notes, or life insurance are in large part, possibly one-half, wiped out as with a sponge. The farmer or business man who, in the declining years of life, has converted his property into bonds or mortgages, will find the interest as he receives it, and the principal when it is paid, of only about one-half the purchasing power that he bargained for. A great many salaried people and wage-earners are unable to get a prompt adjustment of their pay. The railroads and public utilities have been reduced to a state of almost financial ruin. Nobody gains anything by the higher scale except at the expense of some one else. The distribution of higher pay is not based upon any principles of equity, but upon the power of coercion.

The inflated state of bank credit is a factor in these high prices. The whole situation is artificial. Your deposits are all up 50 to 100 per cent, and a large part of the increase is pure inflation, due to the increase of loans—loans in other parts of the country if not yours. This rise of deposits is pointed to by many people as evidence of prosperity, of the accumulation of wealth, but you know that when you loan a customer \$10,000 and he takes credit for it in his account your deposits will go up \$10,000; and when he checks it out the checks will go into other banks as deposits. That is not an accumulation of wealth; it is an inflation of the purchasing media which results in a corresponding diminution of purchasing power. The way people are befuddled into thinking this state of things is prosperity has been the despair of economists in all times. These deposits have the same effect as so much paper money. If we had issued paper money directly to pay the expenses of the war perhaps we would understand that the expenses were not really paid until the paper money was paid off and that prices would not get back to the old level until the paper money was redeemed and retired, and so it is with this bank credit. These Liberty bond loans in the banks ought to be paid off, and the loans of the federal reserve banks ought to be liquidated. The Federal Reserve



banks were never intended to be a resort for continuous borrowing. They were intended, as the name implies, to be banks holding reserves of credit for emergency and seasonal requirements.

### *The Farmer's Position.*

It is going to be interesting to see how the farmer comes out of this situation. He is getting high prices for his products now, owing to conditions which are evidently abnormal and temporary. In normal times Eastern Europe, including Russia, exports breadstuffs in large quantities to Central and Western Europe. At present grains and meats are being shipped from the United States, not only to supply an unusual deficiency in Western Europe, but to supply a deficiency in Eastern Europe as well. When Europe will get back to normal food production I do not know; not this year and probably not next year, but I think quite rapidly after order is restored. I don't take much stock in the theory that European agriculture will be prostrate a long time, or that Europe is swept bare of live-stock. Great Britain has as much live-stock as before the war. France had only 12,000,000 head of cattle before the war, and the reduction is not great. Germany had about 20,000,000 cattle and Austria-Hungary about 15,000,000 before the war; there has been some reduction, but I doubt if the reduction in the herds of Europe exceeds the increase that has taken place in the United States, South America and Australia. The high prices will stimulate agricultural production, not only in Europe, but all over the world. England, as a matter of settled national policy, is going to grow more food in the future. The British colonies are expecting a large immigration and making preparations to settle people on the land. Our own Secretary of the Interior, Secretary Lane, is asking Congress for an appropriation of \$100,000,000 to settle soldiers on public lands, and many of the states which have unoccupied lands are taking steps to aid soldiers in making farm homes. Then we must look for some results from the work of the agricultural departments, national and state, the agricultural colleges and county agents, and all the other efforts that are being made to develop a more scientific agriculture. In short, we must recognize that agriculture is being subsidized, and I think it is for the common good that a more scientific agriculture shall be developed. But I think the total result of all this will be to bring a decline in prices of farm products from the war level.

When this occurs, what is going to be the position of the farmer in relation to the other industries? The report of the International Harvester Company, published last

month, shows that its wage scale is 100 per cent above what it was before the war. The farmer is paying these wages to have his implements made, and he is paying similar wages to have his clothing and his shoes made, his goods transported, and to everybody who does any work, directly or indirectly, for him. If now his products fall, will these other goods and services fall, or will he be expected to feed everybody else at pre-war prices, while he goes on paying wages and prices that are artificially stabilized?

I believe that the banker can render no better service to the farmer than by advising him to use the proceeds of these high prices to pay off his debts. It is a singular fact that people commonly go into debt in good times and pay their debts under pressure in bad times.

### *Artificial Prices and Wages.*

It seems to be the accepted thing nowadays that every class or group of workers shall fix its own conditions of labor and compensation, but the farmer is bound to be at a great disadvantage under any such arrangement. He has never been able to fix the prices of his products, and there is no likelihood that he can do it in the future. He must take the natural price, made by supply and demand, and there is no hardship in that if everybody else is paid on the same basis. The farmer is not interested in supporting artificial methods of price-fixing. He will be the goat of the whole system.

Moreover, let no one think that wages and prices can be long sustained in the other industries when farm products decline. One-third of the population of this country lives on the farms or in communities directly dependent on the farms. When the purchasing power of this one-third declines the rest will feel it. There is a necessary reciprocity in the modern industrial system. If the farmer's income falls to what it was before the war but he is asked to pay double the pre-war prices for what he buys, he will only buy one-half as much, and the effect will be felt throughout industry. General prosperity cannot be had on any such artificial basis.

The railroad employes are a fine group of men. I remember with pleasure my association with railroad men in this town. But the railroad employes or their leaders have claimed the right to absolutely tie up the transportation system of the United States unless their demands are complied with. Their demands do not affect their employers alone; they affect the farmers, the wage-earners and all the people of the country.

Moreover, the heads of the railway orders have now submitted to Congress a proposition for the permanent operation of the railroads, and that proposition has been ap-



proved by the American Federation of Labor, giving it the support it is claimed of 4,000,000 of voters. The proposition is that the railroads shall be purchased by the United States government, and that after operating expenses are paid, including regular wages, the balance, if there is any, shall be divided 50-50 between the employes and the government. Now we can't all be railroad employes, or even take turns at being railroad employes, and in the long run questions of this kind must be settled on a basis of what is fair, not only between employer and employed, but between the people who work in all the various industries.

### *Drawbacks of Highly Organized Society.*

These are troubled times. The whole system of industry and fabric of society are threatened with disorganization. Nobody has made society what it is by any plan. It has come to be what it is by development, a process of growth, constantly changing with the needs of society and the development of the people. It tends always to become more complex and highly organized, more interdependent. I remember when I was a boy in Eastern Iowa going to a grist-mill with my father and amusing myself along the stream and about the mill dam all day until the grist was ground, and we took home the flour made from the identical wheat that we took to the mill. I remember going to the village shoe shop and being measured for my first pair of boots. Each community in those times and even more so in times preceding was much more self-contained and more independent of the world outside than it is now. We have all become specialists. We sell our products in a general market and buy in a general market. The exchanges do not take place face to face. And with the development of machinery and the use of power, capital becomes an increasing factor in industry, and industry has become concentrated. Thousands of people have become wage-earners and work for an employer, instead of working direct for the consumers as the old shoe-maker used to do.

This tendency is unavoidable. The present population of the United States and Europe could not be supported by the old methods of industry. But while it is necessary that there shall be development in methods, and development in machinery, it is also necessary that there shall be development in individual intelligence, and in comprehension and understanding of this modern system of industry. I sometimes wonder if the development has not gone beyond the comprehension of the people, if we have not developed a machine that the great body of the workers do not understand.

If a man does everything for himself he knows that the harder he works the more he will have, and that there is no danger of over-production so long as he has wants unsatisfied. If he trades work with a neighbor, he has the whole process in view, but if he works for an employer who sells the product on the market, the relationship with other workers and consumers is lost sight of, although the principle remains the same. He doesn't look beyond his employer, and gets suspicious and antagonistic toward him, with the result that a large part of the efficiency of the system is lost in friction.

### *Modern Industry Essentially Co-operative.*

There is failure to see that modern industry is essentially co-operative. The workers in a shoe factory are making shoes for the workers in all the other industries; the workers in the cotton mills are making cloth for all the other workers; the workers in the fields are growing food for all the other people; the workers on the railroads are carrying these necessities back and forth in the exchanges. They are exchanging work with each other, and they all owe loyalty and honest, fair dealing to each other. In effect one man gives so many hours' work in a cotton mill or shoe factory for so many hours' work in a grain field; each owes fair dealing to the other. The basis for peace between industrial groups, as between nations, is fair dealing. Nobody should ask what is unfair, or insist on being the sole judge of his own case.

If the workers in each industry set their aim on doing just as little work as possible, there will be less of everything for everybody. What we want is more of everything for everybody. The secret of social advancement is in increased production. We want 30 bushels of wheat to the acre instead of 15; 72 bushels of corn in Iowa instead of 36; 300 pounds of butter fat to a cow instead of about 150; locomotives that will draw 100 cars to a train instead of 50; machinery that will make 10 yards of cloth where it now makes 5, and so on all around the circle of the industries.

The theory of the day seems to be that each industry belongs to the particular people in it, without regard to interests of the rest of the community, and it is a theory which instead of drawing society together, and teaching a harmony of interests, would divide it up into water-tight compartments, into warring groups and classes whose interests would be in conflict. It would be disruptive of society.

The remedy for all this is education in sound economic principles. When the first reform bill was passed in England, making a start toward popular suffrage, one of the



Tory statesmen is said to have exclaimed: "Now we must educate our masters." There is no security for civilization except as the natural laws which govern the production and distribution of wealth and make for the evolution of society are understood.

### **The Division Between Capital and Labor.**

We are hearing a great deal now to the effect that a new era has begun, in which the common people will fare better, that labor is about to have a larger share of the joint product of labor and capital than in the past. Does this mean that less capital will be available for the advancement of industry? If so the results will be disappointing. The end desired is a higher standard of living for the masses, but this can be accomplished only by greater efficiency in production. There is a vast amount of misunderstanding about the division between capital and labor. The truth is that the greater part of all that capital seems to get really inures to the benefit of labor, for all additions to capital seek investment in production and labor is the chief beneficiary of increased production. Wages depend on production, and production is increased by placing more and better machine equipment in the hands of labor.

There is a definite relationship between the amount of new capital available for investment, and the demand and compensation for labor. They go along together. The great principle of social progress lies in the fact that in all advanced countries capital increases faster than population, and that there is no way in which capital can be put into use except by employing labor. Every dollar of new capital accumulated means a new demand for labor, and with capital increasing faster than population labor comes into a constantly stronger position.

Capital and labor must be used together, and when two things must be used together and one is scarcer than the other, that one has an advantage. I remember that there used to be some such relationship out here between corn on one side and cattle and hogs on the other. If we had a big crop of corn and feeders were scarce corn would be very cheap and feeders would bring a good price; but if we had a short crop of corn and the country was full of feeders then the corn grower had the whip hand. So it is with capital and labor, except that the supply of capital is always increasing faster than the supply of labor. We saw the effects illustrated during the war; money or credit was relatively abundant; the Federal reserve banking system could create credit, but it could not be used without labor, and employers all over the country were bidding against each other, and ran wages up to nearly double the normal rate.

And do you realize that practically all the uses to which labor and capital are applied are for the common welfare? The vast expenditures for construction and equipment are for the purpose of serving in some manner the masses of the people, of supplying something they want and can afford to buy. There is no other employment for capital. It would not take many factories or railways to supply the wants of the rich; there are not enough of them; it is the wants of the millions that keep the wheels of business turning. And with capital increasing faster than population, and with the enormous increase in investment and equipment that is going on, with the improvement in methods and machinery, we have normally a constant increase of production per head of population, and the only way these commodities can be distributed is by such a continual readjustment of wages and prices as will enable the masses of the people to buy them.

### *Inevitable Results of Abundance.*

Suppose you knew that in the years to come the production of wheat would increase faster than population; that it would rise from say five bushels per capita in 1918 to six bushels per capita in 1919, seven bushels per capita in 1920, eight bushels per capita in 1921, and so on indefinitely? Do you think that any possible combination could prevent the benefits of such abundance from reaching the masses of the people? And something like that is going on all over the field of production in which capital is the chief factor. And with this the case, with capital increasing faster than population, you can no more prevent the benefits of progress from reaching the masses than you can prevent the rivers from reaching the sea.

How long would the rivers continue to flow to the sea if the moisture was not caught up from the sea and distributed back over the land? And the laws that control the distribution of moisture are not more reliable or certain in their workings than the laws which control the distribution of the results of increasing wealth.

The progress of the masses of the people is not dependent upon the forbearance, the benevolence or the considerate favor of those who are above them on the social or economic scale; they come up because there are resistless and everlasting forces that tend to secure equality among men. Belief in this is simply belief that there is a moral order in the universe. If you understand these laws you know that while there may be individual cases of injustice, there is a moral law of gravitation which eventually brings things right. There is an integrity at the heart of things to which the universe is true.



## *Lessons of the War.*

We have all learned a good many lessons from the war—or should have done so. It has taught us to take stock of our resources as we have never done before—the resources of our fields and shops and of our men and women. We have had them listed, to the most remote townships, and to the last man up the creek. We know now that we are all interested in the prosperity and the personal efficiency and the patriotism of every other man and woman. If any man has not been doing his full duty in the Liberty Loan and Red Cross drives, the burden has been greater upon the others. If any farm has not been producing up to the standard, it has meant a loss to the whole community. In England the law authorized the public authorities to take over any land that was not being properly tilled and assume charge of its cultivation, and that was actually done in about 3,000 cases. What would it be worth to the bankers and merchants of this county to have all the farms that are below the average productiveness brought up to the present average? What would it be worth to have every individual worker in all occupations who is below the average in efficiency brought up to the present average? The truth is that no community can afford to have a body of ignorant, degraded, inefficient people, any more than it can afford to keep rich land in disease-breeding swamps.

We have had our Councils of Defence in war time to develop the full working power of our communities, now why can't we turn them into Councils of Progress? We have seen hundreds of men of large affairs leave their business and go to Washington for months at a time without compensation to give aid to the Government in the war; now why can't we have their help and leadership to develop the resources and promote the welfare of the community in time of peace?

The conscious purpose of our industrial and business organization should be to develop the capacities and improve the living conditions of the people. That is the great appeal to the enlightened and constructive forces of the world.

At The National City Bank we have been greatly interested in the development of foreign trade. We believe it to the interests of the country to enlarge our markets, but I am free to say that in my opinion the possibilities of increasing our trade abroad, great though they be, are small compared with the possibilities which lie in increasing the purchasing power of our own people.

## *Society Looks to Its Leaders.*

I am coming to the conclusion that the leaders and managers of American industry, the men who by reason of their abilities hold the positions of power and influence in the community, must accept a greater responsibility for the common welfare than they have felt in the past. If they want society to develop a common outlook and spirit they must exert themselves to that end. They must show that spirit themselves. They must show themselves outside the circle of their own private interests, and identify themselves with the common interests. They must help give that direction and supervision to community interests which are so much needed.

They have to take the responsibility whether they like it or not. Whatever goes wrong with society for want of intelligent guidance and affects the living conditions of the people unfavorably reacts upon business. The average man does not think very deeply or reflect very profoundly about causes; he judges mainly by visible results. It is up to the leaders of industry and society to produce results. It is up to them to show the common man how to be efficient, to make him prosperous, and to satisfy him that he has a stake in the country. It is up to them to win the confidence of the masses. That may not be easy, but in all fields that is one of the conditions of leadership. The man who cannot measure up to the requirement simply fails as a leader.

There must be hope and a prospect of improving conditions to inspire men to work with hearty spirit. If the necessities of life are growing dearer, if employment is irregular, if the conditions of life grow harder, if the outlook for the children is no better, there will be discontent; and the leaders of affairs, who appear to have power in their hands, will be held responsible. There is bound to be a perpetual contest between the leaders and organizers of society on the one hand, and the critics and agitators on the other—a contest in which the constructive forces are always winning although always harassed. They win because they alone can produce results; but they will win more surely and easily if they recognize this responsibility to produce results. They must beat the agitator to it, keeping ahead of his power for mischief. They must find a way to make it clear to the common man that his interest is one with theirs; that orderly, efficient, uninterrupted industry will bring him better results than turmoil and confusion.











